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Dear Interested Party

Re: Request for submissions: Aurizon's proposed acquisition of One Rail

The Australian Competition and Consumer Commission (**ACCC**) is seeking your views on the proposed acquisition of One Rail Australia (**One Rail**) by Aurizon Holdings Limited (**Aurizon**) (the **proposed acquisition**).

Aurizon provides rail haulage and road transport services in Queensland, New South Wales and Western Australia. It also operates and manages the Central Queensland Coal Rail Network.

One Rail provides rail haulage services on the Adelaide to Darwin corridor, in New South Wales and South Australia. It also operates rail networks in South Australia and the Northern Territory.

Aurizon proposes to offer a court enforceable undertaking to the ACCC that would commit Aurizon to divest the entirety of One Rail's east coast rail business, comprising its coal haulage operations in New South Wales and Queensland.

Further details regarding the proposed acquisition and proposed undertaking can be found at **Attachment A**.

The ACCC's investigation is focused on the likely impact on competition. In particular, we are seeking your views on:

- competition for bulk coal haulage services, including the potential impact on prices, services and/or access to those services
- competition for bulk rail haulage services, including the potential impact on prices, services and/or access to those services
- whether the proposed divestment of One Rail's east coast rail business is necessary to resolve any competition concerns identified during the review and, if so, whether it is capable of resolving those concerns.

A list of specific questions can be found at **Attachment B**.

This matter is public and you can forward this letter to anybody who may be interested.

The legal test which the ACCC applies in considering the proposed acquisition is in section 50 of the *Competition and Consumer Act 2010* (the **Act**). Section 50 prohibits acquisitions that are likely to have the effect of substantially lessening competition in a market.

Please provide your response by no later than **5pm on Friday, 21 January 2022**. Responses may be emailed to mergers@accg.gov.au with the title: *Submission re: Aurizon / One Rail - attention Louis Loizou / Peter Cromwell*. If you would like to arrange a time to discuss the matter with ACCC officers, or have any questions about this letter, please contact Peter Cromwell on 08 9325 0632 or Louis Loizou on 03 9290 1412.

Updates regarding the ACCC's investigation will be available on the ACCC's Public Mergers Register at ([ACCC mergers register](#)).

Confidentiality of submissions

The ACCC will not publish submissions regarding the proposed acquisition. We will not disclose submissions to third parties (except our advisors/consultants) unless compelled by law (for example, under freedom of information legislation or during court proceedings) or in accordance with s155AAA of the *Competition and Consumer Act 2010*. Where the ACCC is required to disclose confidential information, the ACCC will notify you in advance where possible so that you may have an opportunity to be heard. Therefore, if the information provided to the ACCC is of a confidential nature, please indicate as such. Our [Informal Merger Review Process Guidelines](#) contain more information on confidentiality.

Yours sincerely



Daniel McCracken-Hewson
General Manager
Merger Investigations

Attachment A

Aurizon

Aurizon is Australia's largest rail freight operator, transporting more than 250 million tonnes of Australian goods and commodities including mining, agricultural, industrial and retail products, utilising an extensive national rail and road network, traversing Australia. Aurizon is listed on the Australian Securities Exchange.

Aurizon operates and manages the Central Queensland Coal Network. The 2,670 kilometre multi-user rail network comprises four major coal systems and one connecting system serving Queensland's Bowen Basin coal region: Newlands, Goonyella, Blackwater and Moura with Goonyella Abbot Point Expansion the connecting system link. The network links approximately 50 mines with three major ports in Queensland.

Aurizon also supplies bulk rail transport services in the Hunter Valley and Illawarra coal systems in New South Wales.

Aurizon hauls around half of Australia's export coal volume, transporting 202 million tonnes of coal in the 2020/21 financial year. This is split approximately evenly between metallurgical coal and thermal coal.

Aurizon is the only rail operator with services to all six coal export ports on Australia's east coast.

Aurizon's bulk business provides integrated supply chain services, including rail and road transportation, port services and material handling for a range of mining, metal, industrial and agricultural customers throughout Queensland, New South Wales and Western Australia.

Aurizon is capable of transporting bulk commodities such as iron ore, cement, bauxite, alumina, base metals, grain, livestock, fertiliser and dangerous goods.

One Rail

One Rail is a large rail freight service provider in Australia, providing both above and below rail services.

One Rail provides intermodal transport services on the Adelaide to Darwin corridor, servicing Alice Springs, Tennant Creek, Katherine & Darwin, transporting containerised consumer goods, general cargo, bulk liquids and project cargo.

It also owns and operates managed terminals at Alice Springs, Tennant Creek, Katherine and Darwin, and maintenance facilities in Darwin and Adelaide.

One Rail provides bulk coal haulage services in the Hunter Valley from numerous operating mine sites to the Port of Newcastle, as well as bulk coal haulage services for domestic end users.

One Rail also provides bulk coal haulage services in the Mackay region of Queensland.

One Rail provides bulk haulage services in minerals and agricultural commodities sectors including mineral ores, grains, fuel and general consumer goods. It services these sectors through the ownership or control of over 113 active locomotives and around 2,300 active wagons. It services these sectors with several maintenance and support facilities and terminals.

One Rail operates two regulated networks: in South Australia (under the *Railways (Operations & Access) Act 1997*) and in the Northern Territory (under the *AustralAsia Railway (Third Party Access) Act 1999* and Code).

The proposed divestment undertaking

Aurizon proposes to offer a court enforceable undertaking to divest the entirety of One Rail's east coast rail business. The proposal will include:

- either a sale to an independent purchaser, or demerger which would establish a standalone, independent entity that is ASX listed
- all of One Rail's assets, operation, and contracts on the east coast, including the entirety of its coal haulage operations in Queensland and the Hunter Valley in New South Wales
- an expectation that the current One Rail personnel dedicated to One Rail's east coast rail business will remain with the divested business
- a commitment to hold the east coast rail business operationally and financially separate and independent from Aurizon
- the appointment of an independent CEO and board, and independent auditor, to manage the east coast rail business without direction from Aurizon.

Attachment B

We have set out below a list of questions you may wish to address in your submission. Please feel free to comment on any other issues that you consider relevant to the ACCC's assessment.

General

1. Please describe your business or organisation and explain your interest in the proposed acquisition, including any commercial or competitive relationships with Aurizon or One Rail.
2. If you are a customer acquiring rail haulage services, please provide an overview of the services you acquire including, for example, the type of freight carried, volume, value origin, destination, and current haulage provider.

Bulk coal haulage rail services – New South Wales

3. Please describe how and the extent to which Aurizon and One Rail compete with each other in the supply of bulk coal haulage rail services in New South Wales including in relation to price, terms, geographic location or scope of offerings.
4. Please identify and describe alternative suppliers of bulk coal haulage rail services in New South Wales for each geographic location identified in 3 above and explain how and the extent to which these suppliers compete with Aurizon and One Rail, taking into account factors such as price, terms or location.
5. For customers, please describe how you are likely to respond if Aurizon or One Rail sought to increase prices or lower service levels.
6. Please comment on the barriers to entering or expanding the supply of bulk coal haulage rail services in New South Wales, including whether maintenance, driver availability, regulatory requirements or any other issues are significant barriers to entry or expansion.

Bulk coal haulage rail services – Queensland

7. Please describe how and the extent to which Aurizon and One Rail compete with each other in the supply of bulk coal haulage rail services in Queensland including in relation to price, terms, geographic location or scope of offerings.
8. Please identify and describe alternative suppliers of bulk coal haulage rail services in Queensland for each geographic location identified in 7 above and explain how and the extent to which these suppliers compete with Aurizon and One Rail taking into account factors such as price, terms or location.
9. For customers, please describe how you are likely to respond if Aurizon or One Rail sought to increase prices or lower service levels.
10. Please comment on the barriers to entering or expanding the supply of bulk coal haulage rail services in Queensland including whether maintenance, driver availability, regulatory requirements or any other issues are significant barriers to entry or expansion.

Bulk freight haulage services

11. Please describe how and the extent to which Aurizon and One Rail compete with each other in the supply of bulk haulage services in Australia including in relation to price, terms, geographic location or scope of offerings.
12. Have Aurizon and One Rail competed against each other seeking to win contracts to supply bulk rail haulage outside of their current geographic footprints? If so, please provide details, such as the timing of the competitive process, type of freight, location, volumes and duration of the contracts.
13. Has One Rail's entry into coal haulage in Queensland increased its ability to compete for bulk haulage contracts in Queensland? If so, please explain why.
14. Please identify and describe alternative suppliers of general bulk haulage services that compete with Aurizon and One Rail and explain how and the extent to which these suppliers compete with Aurizon and One Rail, taking into account factors such as price, terms or location.
15. For customers, please describe how you are likely to respond if Aurizon or One Rail sought to increase prices or lower service levels for bulk haulage services.
16. Please comment on the barriers to entering or expanding the supply of bulk haulage services in Australia, including how these barriers may differ across states or regions and / or in areas where a rail operator has existing operations, such as Aurizon and One Rail in Queensland.

'Below-rail access' to rail networks

17. Please comment on any change arising from the proposed acquisition that may impact the ability and / or incentive to discriminate against other users and potential users of One Rail's current Tarcoola-Darwin rail line in terms of price or service provision.

Proposed divestment undertaking

18. Is the proposed asset package (that is, the sale of the One Rail east coast rail business in Queensland and the Hunter Valley) sufficient for a purchaser to become a viable, effective and long-term competitor? Why or why not?
19. Is the proposed asset package likely to attract a suitable purchaser? Why or why not?
20. Would a demerger of One Rail's east coast rail business to form a new ASX listed entity create a viable, effective and long-term competitor, including maintaining an ability to compete for new or renewed contracts? Why or why not?

Other competition issues

21. Please provide any additional information or comments or identify other competition issues that you consider relevant to the ACCC's consideration of the proposed acquisition under section 50 of the Act.